

Progressive Property & Construction Daily



21 October 2021: DRV, CREI, IHR | News - UK's largest private contractor "on course" for IPO after strong results; "End of timber shortage in sight"

A round-up of market statements, news, economics and views from the property and construction sectors

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Company news

Driver Group (DRV, 52p, £27m mkt cap)

Legal claims consultant to the global construction industry. FY (Sep) trading update. *Guidance:* Underlying PBT "in line with market forecasts with a healthy net cash position at 30 September of £6.5m". *Trading:* During 2021 the group has continued to manage the impact of Covid-19 on its activities in the markets in which it operates. This was reflected in overall business performance in H2, which was broadly consistent with the first half, with a continued strong performance in the UK and Europe offset by a weaker result in the Middle East and Asia Pacific regions. "However, the overall result masks a material improvement in activity levels and in underlying PBT during Q4, as a result of which Driver Group enters the new financial year with renewed positive momentum". Outlook: "The Group has also continued to implement its strategic plan during the period. Increases in the USA and European operations have been achieved, while planned restructuring of the Middle East and APAC regions continued to be delivered. As a result, Driver Group enters the new financial year with clearer operational focus and is therefore well placed to benefit from the recent improving trend in activity levels".

Custodian REIT (CREI, 97p, £409m)

UK commercial real estate investment trust (REIT). Purchase of 28,601 sq ft industrial unit on Clifton Moor Industrial Estate, York, for £2.9m. The unit is occupied by Menzies Distribution with a weighted average unexpired term to first break or expiry of 2.8 years, with a passing rent of £186,000 pa, reflecting a net initial yield of 5.9% after costs. The purchase price results in net gearing increasing to 20.8% LTV.

Impact Healthcare REIT (IHR, 119p, £416m)

Real estate investment trust with a diversified portfolio of UK healthcare real estate assets, led by care homes. Sale of a non-strategic care home for £1.7m and acquisition of a purpose-built care home for a net price of £5.8m. The sale property, Heeley Bank, a 67-bed care home in Sheffield, had been acquired as part of a portfolio of four homes leased to MMCG in March 2020. The disposal was achieved at 29% above the purchase cost and 12% above the carrying value at 30 June 2021. Impact has also exchanged contracts to acquire a purpose-built 83-bed care home situated in a small coastal town in the South West of England, with supportive age demographics and limited competition. The rent has been set at a sustainable level to produce an initial rent cover on the home in excess of 2x. The Group has appointed one of its existing tenants, Minster Care Management, which introduced this opportunity, as the new tenant of this home at an initial rent of £414,000, reflecting a net initial yield of 7.2%. It has a new unbroken 20-year lease with rent subject to an annual upward-only review linked to RPI, with a floor of 2% and cap of 4% pa. The group continues to work on a strong pipeline of further acquisitions, a number of which are in exclusivity.

In other news ...

The UK's largest private contractor, **Laing O'Rourke** is on course with plans to take the UK's largest private contractor public after unveiling a strong set of results for the year to March 31 2021, ConstructionEnquirer.com ([link](#)). The group reports PBT of £41.4m, up from £45.5m, on revenue of £2.5bn (FY 20, £2.4bn). Chief executive Ray O'Rourke is reported to be planning to list the business within the next three years, following a string of losses which ended in 2019. Net cash rose from £155m to £276m and the group replaced a multi-bank finance agreement with a single £35m credit facility from HSBC, which has cut interest payments. Shareholders Ray and Des O'Rourke also wrote-off £58m in loans made to the company by converting them to equity in the business. CFO Rowan Baker confirmed to the Enquirer that floating the business was an option as order books hit £7.9bn. "These solid results and strong cash positions enabled us to accelerate the restructure of our debt facilities and set the foundations for future growth. The business has continued to perform strongly in the first half of FY 22 and is on track to meet management's expectations of continued revenue and margin growth".

Construction materials. "The end of timber shortages is in sight" as near record-breaking softwood timber imports have replenished stocks to a level needed to meet the demand surge, ConstructionEnquirer ([link](#)). The Timber Trades Federation reports that more than 7 million m3 of timber and panel products were imported by the UK between January and July. This is nearly 2 million m3 above the same period in 2020, and half a million m3 above 2019 levels. However, the shortage of HGV drivers continues to present bottlenecks, according to the TTF. Latest TTF statistics show the average price of sawn and planed softwood in May, June and July rose by 55%, 65% and 88% respectively over their corresponding months in 2020.

Prices are as at the previous day's close.

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